

This letter describes corporate purchasing cards and exempt purchases. See 86 Ill. Adm. Code 130.2080. (This is a GIL).

April 12, 2004

Dear Xxxxx:

This letter is in response to your letter dated October 14, 2003, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

ABC has created a procurement card (p-Card) service for the schools and community colleges in Illinois. Its sole purpose is to dramatically reduce the costs of purchasing the small ticket items school purchase on a daily basis, reduce the number of small accounts payable checks written each month, eliminate the need for petty cash and imprest funds. In general, the program is to streamline the purchasing/procurement process and improve the efficiency and effectiveness of the schools.

One of the INEFFICIENCIES of the purchasing process the p-Card can address deals with the sales tax that is collected by mistake AND the cost to schools to obtain reimbursement from the merchant/vendors.

The first issue: The program provides the capability to have the sales tax exempt number printed on the card IF the school district wants it and IF the school files the sales tax exempt number/letter with ABC. Question—would the Department of Revenue allow retailers to accept the number on the card at the point of purchase in lieu of having a copy of the letter on file with the retailer or attached to the purchase order?

The second issue: The program will provide a monthly report to the school showing each vendor that collected sales tax and the amount collected by each. Question—

rather than spending the time of going back to each vendor and applying for the refund for each separately (which can be very time consuming), would it take a law change or a rule change to allow schools to certify the monthly report to the Department of Revenue and receive ONE refund from the State? If all it would take is an administrative rule change, who would we work with and how do we start the process?

If you have any questions, please call me at.

Thank you for your time.

Sellers required to collect Illinois tax must either charge tax or document an exemption when they make deliveries in Illinois. If the sale is for resale, the seller must obtain a resale certificate from the purchaser in order to document an exempt sale. The requirements for resale certificates are set forth in the Department's regulations at 86 Ill. Adm. Code 130.1405. If the seller does not obtain a resale certificate from the purchaser, he must collect tax. Sales to exempt organizations, such as state governments, must also be documented in order to be exempt. Retailers that sell tangible personal property to exempt organizations must obtain the exemption identification ("E") number issued to the exempt organization by the Department in order to document that sales to the organization are exempt. See 86 Ill. Adm. Code 130.2080.

See 86 Ill. Adm. Code 130.1501, which describes the procedures used to obtain a credit for sales tax that is erroneously paid. Please note that only persons who have actually paid tax to the Department can file a claim for credit. Since retailers usually pay the tax to the Department, usually only retailers can file a claim for credit. In order to submit claims for credit, taxpayers must first establish that they have borne the burden of the tax or that they have unconditionally repaid the amount of tax to the vendees from whom they have collected the tax. The taxpayers must apply for the credit in the manner described in the rule. Under Illinois sales tax laws, retailers are not required to file claims for credit. The Department has no authority to compel sellers to file a claim for credit. Whether or not sellers refund the taxes paid and file claims for credit with the Department is a private matter between sellers and purchasers.

If sellers agree to file a claim for credit, purchasers must provide documentation that the purchases of the tangible personal property were exempt as the purchasers were governmental units with "E" numbers.

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

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